

5-Year Deferral Policy Revision – Adopted June 1, 2012

The intent of the five year deferment language is to provide local jurisdictions an opportunity to undertake completely new infrastructure systems such as water and wastewater treatment plants. Deferred loan repayment is to assist systems that otherwise would not be fiscally feasible if loan repayments were to start before the system could begin generating revenue.

The vast majority of jurisdictions cannot afford the repayment of loans and the enormous upfront expense of a brand new system without the revenues that are generated from hook-ups, connection charges and/or utility rates.

A “new system” can be defined as any system that delivers previously unavailable services to a new customer base that repays debt incurred with the revenues generated by the new system. It would not include the replacement, expansion, or rehabilitation of an existing system or a system that already has existing revenues for that service.

Any “new system” is eligible for a five year loan payment deferral as defined below:

Eligible Requirements:

1. “New system: - any system that delivers previously unavailable services to a new customer base that repays debt incurred with the revenues generated by the new system. It would not include the replacement, expansion, or rehabilitation of an existing system or a system that already has existing revenues for that system.
2. Only Public Works Trust Fund (PWTF) Construction loans.
3. Jurisdiction must meet all the standard PWTF threshold requirements such as REET, GMA compliance, etc.

Loan Terms:

1. Five years will be added to the term of the loan (example: 20 year loan will increase to 25 years, 30 year loan will increase to 35 years).
2. No loan (principal or interest) payment for first five years.
3. Interest on amount drawn would accrue the first 5 years of the loan.
4. In the 6th year, the first payment would consist of the accrued interest.
5. Beginning the 7th year the client would begin both interest and principal payments.
6. Jurisdiction will have up to a maximum of 30 years to repay the interest and up to a maximum of 29 years to repay the principal after the five year loan deferment.